

June 22, 2007

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the June 22, 2007 meeting were distributed to Commission members, intervenors and other interested parties May 18, 2007 and sent to the Secretary of State's Office for posting on May 18, 2007.

Commission Present: Chair, Michael Wiers, John Joseph Jr., Katherine O. Musgrave, Colon Durrell and Shelley Doak, *ex-officio*.

Commission Absent: None

Department Officials: None

Staff Present: Stan Millay, Executive Director, Audrey Shorty, Resource Administrator and Carol Gauthier, Office Associate.

Legal Counsel: Lucinda White, Assistant Attorney General, not present.

Intervenors Present: John Blake, H.P. Hood, Inc., John Economy, Garelick Farms and Kelly Carter, Oakhurst Dairy.

Others Present: Dale Cole, dairy farmer and President, MDIA, and Julie-Marie Bickford, Executive Director, Maine Dairy Industry Association (MDIA) and Fred Hardy, MDIA. Also present were, dairy farmer Chuck Farrand, Bob Wellington from Agri-Mark Cooperative and Douglas Carr from Perkins Thompson law firm representing Oakhurst Dairy, and Cheryl Beyler from the Dairy and Nutrition Council.

Meeting called to order at 1:35 p.m. by chair, Michael Wiers.

Agenda Item 1: Minutes: John Joseph made a motion to accept the minutes of the May 18, 2007 meeting as presented. Katherine Musgrave seconded. Motion passed 4-0.

Agenda Item 2: Lucinda White, Assistant Attorney General: No report.

Agenda Item 3: Minimum Prices: Stan Millay reported that there is a prevailing premium of \$1.10/cwt on Class I for July 2007 reported by Dairy Marketing Services (DMS) and Agri-Mark Cooperative. In addition to this premium, both Agri-Mark and DMS reported that an additional \$0.75/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in affect on July milk. Federal Order One Class I price for June is \$24.16.

There is a Farm Bill Counter Cyclical Payment (MILC) for July 2007 of \$0.00/cwt. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Stan Millay explained that three different price schedules for July were prepared for comparison purposes using the information above plus a producer cost of production adjustment of \$1.35/cwt., \$0.90/cwt. and \$0.44/cwt. He further explained that many people anticipated that the Commission would consider lowering the producer cost of production adjustment given the predicted increase in milk prices for July. He stated that these price schedules were for discussion purposes and that the Commission was not bound to them, and that the Commission should make their determination after hearing testimony on the issues.

Stan Millay provided copies of two pieces of legislation that were recently passed by the Legislature and said that the Commission should consider them when setting prices for July. First, Public Law, Chapter 269, "An Act To Adjust the Milk Handling Fee", increases the handling fee on milk and is included in the minimum price schedule and is zero for July prices. Second, Public Law, Chapter 262, "An Act To Adjust the Levels of the State's Dairy Stabilization Program", increases the support levels for the three tiers of production that the Commission set in the Producer Margin Rule 26. Tier Level One in Rule 26 is \$18.68/cwt. and will be increased by this bill to \$20.70/cwt. Tier Level Two increases from \$16.23/cwt. to \$18.07/cwt. and Tier Level Three increases from \$15.43/cwt. to \$17.29/cwt.

Stan Millay pointed out that the Chapter 262 tier level increases were based on Tim Dalton's April Cost of Production preliminary updates for March 2007. He stated that it was the most recent available when the legislation was discussed. He provided the Commission with Tim Dalton's June Cost of Production preliminary updates for May 2007 that shows these levels to be well below those now set in statute.

Julie Marie Bickford presented the Commission with to handouts that discussed increased costs of feed to producers. She stated that these costs are still increasing and suggested that Tim Dalton's updates had not yet caught up with current costs. She went on to say that fuel costs were still very high and were a burden on producers who are planting and harvesting.

Ms. Bickford acknowledged that the increased value of milk would help Maine's dairy producers, but urged the Commission to exercise restraint when considering reductions in the producer cost of adjustment. She asked the Commission not to reduce the adjustment below \$0.90/cwt. She explained that this was \$0.45/cwt. below June's adjustment and would be something that dairy producers could support. She told the Commission that MDIA was willing to consider another decrease in July when the August prices are set; provided milk prices stay up.

Bob Wellington told the Commission that prices go up and down. He said that crop inputs, driven in large part because of increases in ethanol production, were still trending upward. He pointed out that Maine is at the end of line on many things including transportation. He stated that fuel costs are still a huge burden on dairy producers.

Fred Hardy reminded the Commission that corn is a basic feed and is not easy to replace with grass or other commodities nutritionally.

Dale Cole told the Commission that Vermont's cost of production was approaching \$28/cwt.

Bob Wellington told the Commission that he predicted the increases in milk costs to peak in August or September but stay strong right through 2008. He explained that supply is tight due to worldwide demand for milk protein powder. He told the Commission that he estimates that the producer price will average \$20/cwt. for the next 18 months.

Mr. Wellington went on to say that many factors were pushing milk prices up, for example, a drought in Australia, a reduction in farm subsidies in Europe, a ban on exports in India, and an increase in demand in China are some of them. He said surpluses of butter or cheese could reverse the trend, but he stated that producers will be reluctant to increase production because of the financial losses they suffered during the past year.

Dale Cole reminded the Commission that current prices are just reaching breakeven points for some producers. He pointed out that milk prices are high but are just getting to where they should be.

Michael Wiers asked Julie Marie Bickford if he had understood her testimony correctly when she stated that MDIA supported a cost of production adjustment of \$0.90/cwt. for July.

Ms. Bickford responded saying that was correct. She went on to say that MDIA had worked closely with retailers and processors during recent months helping craft the legislation mentioned earlier. She said that MDIA wants to partner with the Commission and others to set prices that everyone can live with.

John Blake asked where cattle might come from to expand the U.S. dairy herd.

Bob Wellington replied saying some producers might keep cows in their herd longer by changing culling rates. Heifer retention percentages could increase or Rbst usage could change.

John Blake stated that the producer cost of adjustment should be much lower than \$0.90/cwt. He said that he understood that if the legislation that increased the support levels was enacted, MDIA would support reducing or eliminating the adjustment. He asked if this was not the time for the adjustment to go to zero when would be the right time.

Julie Marie Bickford told the Commission that MDIA had never supported elimination of the cost of production adjustment unless milk prices got to a point where dairy producers able to recover their costs. She said MDIA's position was that something needed to be sustained to producers in the adjustment.

Dale Cole pointed out that current prices were just approaching breakeven but had not got there yet, so the cost of adjustment should continue.

Katherine Musgrave made a motion to adopt schedule #07-07 with a producer cost of production adjustment of \$0.90cwt. with a \$24.16/cwt. Class I Price as announced by Federal Northeast Milk Market Administrator, plus \$1.85/cwt. as prevailing in neighboring states, plus \$0.00/cwt. for a handling fee and plus a \$0.20/cwt. processor assessment, for a total dealer Class I cost of \$27.11/cwt. Colon Durrell seconded. Motion passed 4-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for June 2007 which included prices for Augusta and Bangor and reviewed the IAMCA milk price survey for April and May

Agenda Item 5: Next Scheduled Meetings:

- July 20, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- August 17, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- September 21, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- October 19, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- November 23, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

NOTE: November 23 is the day after Thanksgiving and is a state holiday. But due to the necessity of getting minimum prices out to retail as early as possible, the Commission voted to hold the November meeting on the 23rd.

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission reviewed income and expenditures. Stan Millay reported that the Milk Commission's dedicated revenue account had been charged \$9,623 because

the State had done such a fine job negotiating insurance costs. This money was transferred to the State's general fund. One of the reasons provided is that the Commission would have had to spend that amount if it was not for the negotiation so therefore, the Commission is charged for that cost. Either way, \$9,623 of the fees paid to the Commission are gone.

2. **Retail Margins:** Stan Millay reported that the University of Maine continues gathering information that will be used to determine new retail margins.
3. **IAMCA Meeting in August:** Stan Millay provided an update to the Commission concerning the conference that the Commission is hosting in South Portland, Maine in August.
4. **Handling Fee, LD 1468 and "Milk Gouging", LD 852.** Stan Millay reported on these earlier.
5. **Wal-Mart Violation:** The Commission was presented with details of a violation of Maine's minimum milk prices law by the Skowhegan Wal-Mart. Stan Millay explained that the violation was confined to one store and was a result of no one changing the minimum prices. He reported that the store quickly made the change when it was brought to their attention. Further the store management provided written detail of how they were putting into place steps that prevent such a reoccurrence in the future.

Douglas Carr told the Commission that the Legislature will be watching the retail prices very carefully and that they should proceed carefully when setting minimum prices. He said otherwise it was likely that the Legislature would come back with another milk gouging bill next session.

Dale Cole agreed but asked the Commission not to limit the producer price because of retail's determination to have a large margin.

Bob Wellington pointed out that the Northeast States all have done something in their legislatures this past winter to assist dairy producers because of the low milk prices of 2006. He said Maine is a leader and model for these other States.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session.

Adjourned: 2:40 p.m.

Stanley Millay, Executive Director, Maine Milk Commission.